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## THE CELLULOID CLUB SAVING AND LOAN DEPARTMENT<sup>1</sup>

S. T. SIMMONDS

Manager

**T**HE Celluloid Club is an association of the employes of The Celluloid Company with headquarters in a club house furnished by the company. The saving and loan branch is a department of the club and depositors must be employes of The Celluloid Company. At the beginning we were half afraid of the venture ourselves because so many predicted the certain and complete failure of any scheme that proposed to make personal character the security on which loans should be made. However, we planned better than we knew and instituted a department of welfare work that was popular with the employes from the start and that has been steadily and increasingly successful.

The objects of this department are to encourage savings and to furnish temporary financial assistance to depositors. The saving and loan department is made up of, and managed by, the employes themselves. The officers are elected annually by the depositors and there is absolutely no interference whatever with the affairs of the association by the company. The officers of the company did encourage the starting of the department—in fact, the original suggestion came directly from the president and vice-president. The only financial aid the company is asked to extend is to advance temporarily the amount we have out as loans at the close of each series. This arrangement enables us to pay off depositors at the regular withdrawal date without having to call in outstanding loans. The company also helps by allowing the managers of the fund to attend to the business during working hours. Without this privilege we could scarcely carry on the work successfully.

<sup>1</sup> Read in discussion of Mr. Ham's paper at the meeting of the Academy of Political Science, November 11, 1911.

A saving and loan department would not be popular if operated by the company. Employees would object to their employers knowing just how much they were saving, and the best class of employees would suffer rather than ask for temporary financial assistance through the office. There is a vast difference between telling one's troubles to some fellow employe and telling that same story to an official, and doubtless employers as a rule would be glad to have someone among the work people who could relieve them of having to listen to and consider applications for temporary loans.

Our department, as the name indicates, has both saving and loan features. We accept deposits of twenty-five cents or more weekly—no limit—and pay a share of the earnings *pro rata* to depositors. We impose a fine for failure to deposit weekly. This helps to get members into the habit of making regular deposits. Profits are derived from fines, charges for loans, and withdrawal fees.

Our "series" or periods of saving are of six months' duration, the regular withdrawal dates being the middle of June and December. While we accept deposits in any amount, we distribute the profits only on savings of one dollar or less weekly. This is to prevent those who could afford to do so from depositing large amounts in the hope of a higher rate of interest than the regular banks pay.

The saving branch is successful because an employe can on pay-day drop into conveniently located receptacles the sum that he feels may be spared. Thus the saving of small sums is made very convenient. The department is not intended to be an institution for permanent savings. Most depositors draw out their money at the close of the series but they may leave their accumulated savings on deposit, if it is desired, without participation in further profits. No partial withdrawal of accounts is permitted, as this would involve a check system and lead to deposits being withdrawn for trifling reasons.

If an account is withdrawn except at the date set, the share of profits is forfeited and a small fee is exacted. There is no withdrawal charge when the deposit is withdrawn to pay off a loan or when the depositor is laid off from work or the money

is needed on account of sickness. We have 400 depositors whose total savings amount to about \$22,000 annually. It should be remembered that the depositors represent the rank and file and not the higher-paid or salaried employees. Depositors may borrow in sums of from \$1 to \$200. The amount on deposit bears no relation to the sum that may be borrowed, except that no loan of more than \$10 in excess of his deposit will be granted to a minor without the consent, in writing, of the parent or guardian. Practically all loans are made on character. In sums up to \$25 no endorsement is asked. Above that sum a second signature, generally that of a trusted employe, is required. If a borrower fails to keep his agreement to make deposits regularly, or does not pay a note when due, he will not again be accommodated with a loan. Notes may run three months. We insist that deposits be made weekly by borrowers in order to help get them out of debt, and the borrowing of money is never encouraged for the sake of adding to the profits of the department.

It is a well known fact that often in the experience of those who labor for a living, there are emergencies calling for the use of ready cash and no matter how much the borrowing of money is disparaged—generally by those who themselves never felt the urgent and immediate need of money—the practise is a very common one and no amount of theorizing will alter the fact. And, since the occasional need of temporary financial aid happens more or less often to a majority of wage-earners, it is a source of considerable satisfaction to know that one may, if of reasonably good character, obtain the necessary funds to help over a hard place in life's experience by simply filling out a business-like application for a loan. The assistance needed is rendered promptly at reasonable cost and without any undue prying into one's private affairs.

In a neighboring city, a fund is furnished by a certain employer to loan to employes, and the manager of the fund boasts of the very few applications for loans, seeming to take it for granted that it is because his workpeople are so well off or thrifty that they can get along without this sort of aid. The manager does not seem to realize that the conditions imposed,

involving "a rigid investigation into the affairs of the applicant," are considered by the employees whom the fund is intended to benefit as humiliating, so that only in cases of extreme need or with those who have little or no pride would the conditions for a loan be complied with. So the manner in which the loan must be obtained defeats the object, and the manager who boasts of how little his employees have to borrow might be surprised to know to what extent they patronize the professional money lenders who are shrewd enough to advertise the fact that loans may be made "without the knowledge of employers, relatives or friends."

Experience has taught the managers of our fund that employees who are known to be steady, faithful workers make pretty safe people to whom to loan money and it is not so much a matter of position and earnings that counts in the consideration of applications for loans as the question of the applicant's reputation for steadiness at work and honest dealings. In fact, an employee's record as an employee is mainly what determines whether a loan is granted or not.

We find that women employees as a rule are larger depositors than men; but they borrow comparatively little, from a feeling, it seems, that there is something to be ashamed of in asking for a loan. When loans are made to women or when they endorse notes, the board feels quite certain that there is no cause to worry about the return of such loans when due. Instead of borrowing, women depositors will often sacrifice the profits on their savings by withdrawing the deposit before the regular withdrawal date. Women employees have given the board absolutely no anxiety or trouble either as depositors or borrowers.

One of the objects that a loan bureau such as ours accomplishes is to prevent employees who may need a little ready money from being fleeced by fellow workmen who, partly on account of the risk involved but mainly from selfishness, charge exorbitant rates of interest on loans. All money lenders who exact hard conditions are not openly in the business and some of the meanest transactions along these lines that have come to my notice have been arranged by men who claim to disapprove strongly

of the people who advertise salary loans, and then secretly squeeze even the lowest-paid helper who may feel forced to appeal to them for financial aid in time of trouble. This state of affairs exists without being even suspected by the employers; in fact, these financial blood-suckers may be, and often are, held in high esteem by their employers, who little suspect that they are preying on their less fortunate fellows—often those under them in position, and therefore with an added reason for feeling that they do not dare expose the wrongdoer.

We do not pretend that our loan department is run as a purely philanthropic scheme in the sense that the use of money may be had without cost to the borrower. There are expenses of operation and some losses, and in order to encourage thrift we pay a profit on deposits. So we simply must have some source of income or go out of business.

The great fear of those who have been interested in the loan feature of our scheme was, and to some extent is yet, that to make it easy to borrow would lead to extravagance and unnecessary expenditures. That any such scheme of loaning money as ours would lead to some abuse of the privilege goes without saying, and this was expected. There is no doubt that money is borrowed which could be done without and that loans made without the knowledge of those at home have caused hardship in the families of members. It is freely acknowledged by the managers of the fund that this condition does exist, but in the words of a powerful friend of the association: "Any such scheme is sure to be abused more or less, but if the preponderance of the influence is toward helpfulness, then the work is worth while." When the officers are satisfied that the money applied for is wanted for frivolous, harmful and foolish purposes, the loan is not granted. Applicants for loans who are known to be steady, sober and sensible men are not as a rule subjected to any questioning whatever, the board leaving the matter of going into debt entirely to their judgment. Applicants for loans are not required to give any reason for borrowing. The officers expected at the start to examine into the reason and necessity for borrowing, but soon gave up the idea, finding that it was not feasible. Borrowers could give any rea-

son they pleased when applying for a loan and it would take considerable time to get at the facts. We also found that members would resent anything in the nature of an investigation of their private affairs. In a few cases where the board suspected that the reason given for borrowing might not be true, a quiet investigation proved that the money was really needed in the home of the applicant and for the purpose stated.

We have loaned since we started in September, 1906, about \$95,000 in the manner described, and the losses have been surprisingly small. There are over-due notes amounting to \$134, but \$50 will possibly cover what the managers now consider as actually lost. This is the more remarkable because of the fact that the company will not allow employes to assign their wages, and knowing this we have never asked for such protection.

The charge for loans varies from 2 % a month to 6 % per annum and these rates may be still further reduced if experience proves that this can be safely done. As the funds represent the savings of employes, we cannot risk incurring a loss; for, while the department is not a money-making scheme, we must manage so as to make a profit.

When the saving and loan department was organized, the factories were running full and overtime. It was claimed that if a period of shorter time with lessened pay came, we should then be swamped with applications for loans and the association would go under. Such a condition was looked forward to with considerable apprehension by those charged with the management of the fund, but when the time of lessened work did come, this was our experience: there were more withdrawals of savings and less applications for loans. We investigated the cause for this unexpected and gratifying condition and found that our members did not borrow so freely as in flush times because of the fear of not being able to repay the loans when due—certainly a very creditable reason for not borrowing and quite contrary to what we had feared.

Practically all of the business men with whom we consulted in regard to starting the saving and loan scheme expressed the opinion that any such venture must fail. These gentlemen now confess to being most agreeably disappointed, and express

themselves as gratified with the success worked out by men who have demonstrated that their faith in the common honesty of the employes of The Celluloid Company was well founded.

Complete details of the rules governing our saving and loan branch will be found in the by-laws and other printed matter, copies of which may be obtained by applying to the welfare department of the company.

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